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BEFORE THE

**COMMITTEE ON ARMED SERVICES
SUBCOMMITTEES ON
READINESS AND AIR AND LAND FORCES
UNITED STATES HOUSE OF REPRESENTATIVES**

FIRST SESSION, 110TH CONGRESS

ON ARMY EQUIPMENT RESET

JANUARY 31, 2007

**NOT FOR PUBLICATION
UNTIL RELEASED BY THE
HOUSE COMMITTEE ON ARMED SERVICES**

Chairman Ortiz, Chairman Abercrombie, Ranking Member Davis, Ranking Member Saxton and distinguished members of the committee: on behalf of the Army, thank you for the opportunity for myself, Generals Boles and Radin, and Mr. Mullins to appear before you today and to talk about America's Army. The Army would first like to thank you for the support this Committee and the Congress have demonstrated by resourcing \$17.1 billion for reset in Fiscal Year (FY) 2007. Together, we will reset America's Army as we are engaged in this long war and build strategic depth for global operations.

Today's testimony focuses on Army reset. Reset restores the readiness of the Army's equipment that was destroyed, damaged, stressed, or worn out due to combat operations and sets the conditions for rapid, decisive, reaction capabilities for unexpected worldwide contingencies. Reset does not, however, 'fix' all equipment shortfalls or equipment still committed in support of Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF). In our testimony today, we will focus specifically on the scope of the equipment challenges facing the Army, as well as the strategy for resetting equipment as a result of the Global War on Terrorism. We will also provide an update on the progress of obligating and executing the \$17.1 billion as authorized and appropriated in FY 2007 and the Army's future equipment reset requirements for FY 2008. The requirement to reset our equipment and return our units to full readiness upon their return from operational employment is fundamental to the Army's ability to meet future threats. Again, thank you for your continued support in maintaining America's Army; your support of reset remains vital to our readiness.

We would like to begin by expanding on the definition of reset. Reset is a series of actions to restore units' equipment destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations to a desired level of combat capability commensurate with future mission requirements (figure 1). These actions include the

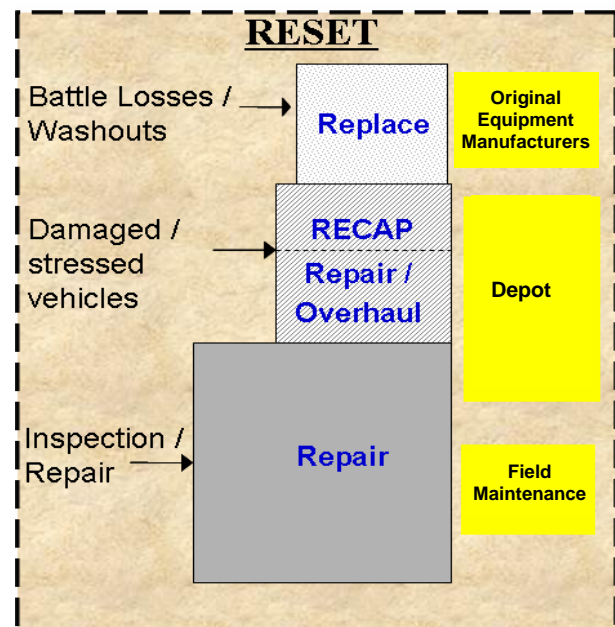


Figure 1

repair of equipment, the replacement of equipment lost during operations, and the recapitalization of equipment where feasible and necessary.

The reset program ensures: forward commanders have reliable and capable equipment; Army Prepositioned Stocks (APS) equipment is at a high state of readiness; and the Army has a long-term program to restore the operational readiness of all critical systems.

Repair is the rebuilding of equipment to meet Army maintenance standards. The repair is preceded by an inspection to determine the faults that must be corrected. This definition includes a special technical inspection and repair (STIR) of aircraft. Equipment repair is classified into two levels: field and sustainment level (depot).

Field level repairs are performed by Soldier-mechanics, augmented by contractor labor and installation level maintenance activities when required, on or near the installation where the equipment is stationed. In the reset of National Guard equipment, the Army has further streamlined our processes. Field level reset of Army National Guard equipment is now conducted at National Guard facilities, while Army Reserve equipment continues to be reset at the Reserve Component demobilization site. This change, as shown in Figure 2, allows the Army National Guard to prioritize reset requirements and return equipment to National Guard units

sooner and under the control of state Governors and state Adjutant Generals to increase their capability to respond to Homeland Defense and Homeland Security requirements.

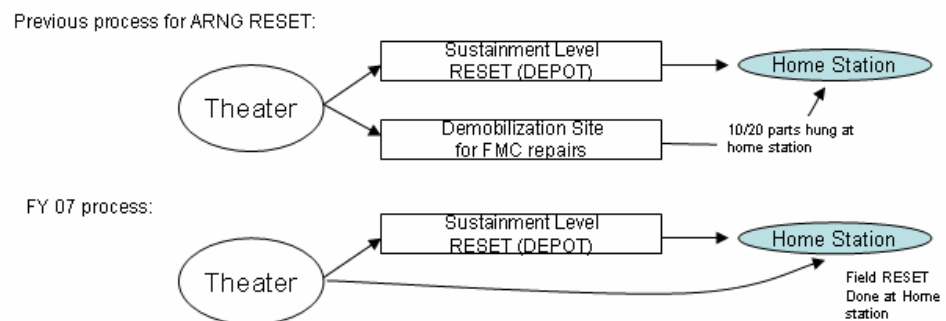


Figure 2

For all Components, repairs that exceed field level capability are performed at the depot level by material maintenance contractors. Certain items of equipment, as determined by the Army Materiel Command through lessons learned are automatically returned for depot level maintenance and do not require inspection. As the \$17.1B for

reset was available at the beginning of the fiscal year, the Army was able to synchronize its resources, people and materiel to align with the flow of equipment from returning units into the reset process. For instance, timely funding has allowed the depots to order parts in advance of equipment arrival, thus speeding the reset process. Since the onset of OIF and OEF, the Army's organic depots have also steadily increased their capability while simultaneously increasing efficiencies. For example, at Red River Army Depot, we are seeing work increase from 400 items a month in October 2006 to 700 a month in September 2007. Similarly, Anniston Army Depot is increasing from 1,000 items a month to 3,000 per month.

Replacement is the procurement of new equipment to replace battle losses, wash outs, and critical equipment deployed and left in theater, but needed for Homeland Defense and Homeland Security and other critical missions.

The Army is replacing and upgrading more than 50,000 pieces of equipment in FY 2007. The type of replaced equipment ranges from Apache, Black Hawk, and Chinook helicopters to ground combat vehicles (such as Abrams tanks and Bradley fighting vehicles) to wheeled vehicles, such as the Stryker, Armored Security Vehicles, High Mobility Multipurpose Wheeled Vehicles (HMMWV), radios and generators. As the Army replaces battle losses, it buys modern equipment compatible with our modular force. The FY 2007 requirement for procurement or investment of major items of equipment is \$8.5 billion. This figure includes the replacement for the Reserve Component of approximately \$2.5 billion worth of equipment left in theater as Theater Provided Equipment (TPE) in support of OIF and OEF.

Recapitalization is the Army's long-term investment strategy to sustain the readiness of the Army. Recapitalization rebuilds or repairs such combat damaged equipment to a level that improves the performance capabilities of the equipment or returns the equipment to a "zero mile/zero hour" level with original performance specifications.

The Army has a plan to recapitalize major combat systems as part of our reset strategy. A portion of that plan includes the reset of equipment forward to ensure the required capabilities are available to units and Soldiers for the next fight. Major systems being recapitalized as part of our reset efforts include: M1 Abrams tank, the M2 Bradley

Fighting Vehicle, HMMWVs, Patriot, and the UH-60 Apache helicopter. The objectives of the recapitalization process include extending service life, reducing operating and support costs, enhancing capability, and improving system reliability, maintainability, safety and efficiency. HMMWVs, for example, originally deployed to Iraq and Afghanistan without additional armor were at an average age of 13 years. These vehicles have been deployed now for up to four years with armor added and are significantly degraded. As the Army has increased production of better armored HMMWVs, portions of the original deployed fleet, mainly M998 series trucks, are being returned for reset. These reset vehicles will be recapitalized to a newer model, the M1097R1, and will improve performance and increase payload.

To overcome the equipment challenges facing the Army, we have moved rapidly to restore battle losses and repair equipment through an aggressive reset program, despite entering the war with at least a \$56 billion equipment shortfall. Additionally, the Army is working to quickly equip the Reserve Component that has transitioned from a strategic reserve to an operational force to meet our nation's warfighting requirements.

Global demand has dictated that at any one time, the Army has had as many as 23 Brigade Combat Teams deployed on a rotational basis. This tempo places tremendous stress on the Army's deployed equipment in harsh environments, such as Iraq and Afghanistan. In OIF, Army helicopters are experiencing usage rates roughly two to three times the planned peacetime rates. Tank crews are driving tanks over 4,000 miles, a rate that is five times the expected annual usage of 800 miles per year. The Army's truck fleet is experiencing an operational tempo that is five to six times the peacetime rate causing excessive wear that is further exacerbated by the addition of heavy armor kits required to enhance force protection. This increased operational tempo shortens the useful life of our equipment and demands a much earlier and larger investment in depot maintenance than programmed for peacetime operations. We have steadily expanded the capacity and productivity at the Army Materiel Command's depots, and reached out to industry wherever possible to meet our increased maintenance needs in a timely manner.

Our cumulative effort on reset from the beginning of combat operations through the end of FY06 has been over 200,000 pieces of equipment, including 1,798 aircraft, 2,263 tracked vehicles, 11,312 HMMWVs (includes reset and recap), 3,899 trucks, 2,193 trailers,

128,531 small arms, and 8,284 generators as just a snapshot of this enormous effort performed by our depots and defense contractors. This year, FY 2007, the Army will reset approximately 117,000 major items of equipment including 557 aircraft, 1,700 tracked vehicles, 8,115 HMMWVs (includes reset and recap), more than 1,800 trucks, 1,200 trailers, 39,000 small arms, 7,400 generators, and hundreds of thousands more pieces of equipment in the field.

With the support of this committee and Congress, the FY 2007 funds provided reset resources totaling \$17.1 billion with \$8.5 billion in procurement and \$8.6 billion in Operations and Maintenance, Army (OMA). The Army's reset program is on schedule. As of January 9, 2007, the Army has already obligated \$11.2 billion or 65 percent of the \$17.1 billion, including \$6.5 billion or 76 percent of the \$8.5 billion in procurement funding and \$4.7 billion or 55 percent of the \$8.6 billion for OMA and our reset program is on schedule. The actual obligation of the funds occurs throughout the year based on the return of units and the induction of their equipment into field and depot reset sites. For FY 2007, most redeploying units go through the reset process from January through August. The Army is able to obligate the majority of procurement funding earlier in the year as procurement contracts are developed. The Army has a plan and is executing the fiscal expenditures in accordance with its FY 2007 reset plan.

The \$17.1 billion received by the Army for fiscal year FY 2007 reset is distributed as shown in figure 3. In accordance with Office of Management and Budget and DoD policy and intent, we rely on

supplemental funds to pay for our reset program because reset addresses damage and wear resulting directly from contingency operations.

The Army calculates reset funding requirements each year based on the

projected amount of equipment returning during the following fiscal year that can be

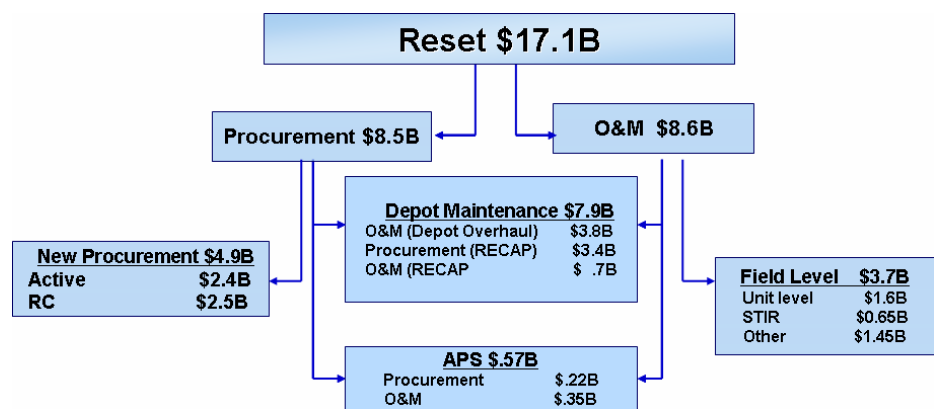


Figure 3

repaired in that fiscal year, and on the documented losses which have occurred. During FY 2007, 24 brigade combat teams and numerous supporting units will conduct reset operations after redeployment from combat operations in Iraq and Afghanistan.

In addition to the requirement to reset redeploying units there are also pending requirements that will need to be addressed in future years. Theater Provided Equipment (TPE) is equipment that was originally deployed with units and was left in theater for follow-on forces or was purchased and remains in theater for issue to units as they enter the theater. Much of this equipment consists of critical items for the protection of our Soldiers, such as anti-Improvised Explosive Device equipment and up-armored vehicles. The Army is currently balancing the need to increase selected TPE items to support theater requirements and the goal to rapidly retrograde equipment no longer required for the warfight to the Continental United States for reset. Upon completion of reset, we will issue the equipment to units to fill shortages and improve their capability to conduct training or to fulfill Homeland Defense and Homeland Security requirements. For example, the Army has already retrograded over 3,600 of the 7,500 TPE HMMWVs planned for the 2007 reset requirements. We continue to estimate that 15 percent of the items remaining in theater will require replacement, and the remainder will require depot-level repair.

APS is equipment that the Army has maintained for the sole purpose of rapidly responding to contingency operations around the World. We used equipment and stocks from all five of our prepositioned sets to support OIF and OEF. The Army is resetting and reconfiguring the prepositioned stocks to match the Army modular force design. This investment is already paying off because we are currently using the prepositioned stocks to enable us to rapidly deploy units to Iraq as we increase the number of brigade combat teams in theater.

To manage the FY 2007 reset process, the Army has established a Reset Task Force comprised of staff elements throughout the Army Staff, Army Materiel Command, Forces Command, U.S. Army Europe, U.S. Army Pacific and the Reserve Components. The Reset Task Force operates under close oversight of the Army senior leadership and provides regular updates on the status of financial expenditures and reset execution. The Army leadership remains intensely involved throughout the reset process to ensure our units reestablish operational readiness as soon as possible.

Reset costs for future years will depend on several factors such as the level of force commitment, the activity level of those forces, and the amount of destroyed, damaged, or excessively worn equipment. The Army expects the requirement beyond FY 2007 to be approximately \$13.5 billion annually; however, changes in factors such as current plans to increase force levels in Iraq and increase the size of the Army will impact the financial requirements. Due to the unprecedented stress placed on our equipment, reset funding is required for a period of two to three years beyond the cessation of the current conflict. Any reset requirement that goes unfunded in one year will roll over and increase the following year's requirement.

As we look to the future, we respectfully request the Congress to fully resource Administration's budget requests for Army equipment as we modernize the force and transform to meet the challenges of the future. We need your continued help in the provision of predictable, sufficient, and stable funding. Stable and predictable budgets that are enacted early with distribution of both base and supplemental funding within 30 days of the start of the fiscal year allow us to better manage our resources, maintain a stable work force and generate efficiencies when working with industry. As the Army Chief of Staff has said, we will also need your help to access 2007 main supplemental funding by April or sooner to properly sustain the Army.

To close, Mr. Chairmen, and members of the committee, on behalf of our Soldiers, we greatly appreciate the tremendous support of the Congress in supporting requests for funding Reset and by engaging in a continual dialogue with us in this critically important area. The Army remains committed to applying resources aggressively to maintain the best trained, best equipped, fully manned and best led ground force in the world. Equipping the Army on-time with modern equipment builds Soldiers' confidence, and with confidence comes their unyielding commitment that we so deeply admire and respect. Thank you for this opportunity to appear before you today; the other members of the panel will now introduce themselves and we all look forward to answering your questions.